

## RURAL DEVELOPMENT

### FY 1999 ANNUAL PROGRAM PERFORMANCE REPORT

The Rural Development mission area was established on October 13, 1994, by the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act. The mission area consists of three Agencies, the Rural Business-Cooperative Service (RBS), the Rural Housing Service (RHS), and the Rural Utilities Service (RUS). These agencies are responsible for delivering programs authorized by the Consolidated Farm and Rural Development Act; the Food Security Act of 1985; the Rural Electrification Administration Act of 1936; the Cooperative Marketing Act of 1926; the Agricultural Marketing Act of 1946; the Housing Act of 1949; and the Rural Economic Development Act of 1990, as amended.

**The mission of Rural Development is to:** "Enhance the ability of rural communities to develop, to grow, and to improve their quality of life by targeting financial and technical resources in areas of greatest need through activities of greatest potential."

Additional information on Rural Development and its programs can be found in its strategic plan and the Annual Performance Plan.

Only Federal employees were involved in the development of this report.

<b>RURAL DEVELOPMENT PERFORMANCE SUMMARY</b>			
<b>Strategic Goal/ Management Initiative</b>	<b>FY 1999 Performance Goals</b>	<b>Performance</b>	
		<b>Target</b>	<b>Actual</b>
Goal 1: Rural Development will improve the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives.	Create or save jobs in rural areas.		
	Number of jobs created or saved.	83,738	74,379
	Community Economic Benefits.	\$3.05B	3.356B
	IRP Dollars Lent by Intermediaries/IRP Dollars Obligated to Intermediaries.	75%	89.41%
	Non-IRP Funds leverage for Each Dollar of IRP Funds.	\$3.76	\$3.76
	Number of Businesses Benefitting from RBEG Program.	3,224	2,331
	Non-RBEG Funds leverage for Each Dollar of RBEG Funds.	\$2.40	\$2.40
	Non-REDLG Funds leveraged Per Dollar of Program Funds:		
	Loans	\$3.00	\$3.00
	Grants	\$3.00	\$3.00
	Assist marketing networks and cooperative partnerships in the establishment and expansion of business outlets.		
	Technical Assistance and educational services provided.	200	215
	Customer rated quality of technical assistance.	3/5	3/5
Leveraged of research expenditure.	\$1.20	\$1.25	
Research and educational materials provided to customers.	100,000	99,600	
Number of responses to inquiries for information.	15,000	16,500	
Percentage of B&I guaranteed funds obligated to cooperatives.	20%	4.4%	
Direct resources to those communities and customers with the great need.			
Percent of funds obligated in EZ/ECs:			
B&I Guaranteed	1.3%	1.3%	
IRP	21%	12.1%	
RBEG	21%	21.5%	
Presidential or Departmental special initiative areas for:			
B&I Guaranteed	10%	37.6%	
IRP	20%	48%	
RBEG	20%	48.8%	
REDLG	2%	47.3%	
Number of Impoverished or economically depressed counties receiving technical assistance for cooperatives.	75	N/A	
Manage the B&I portfolio effectively to minimize the delinquency rate.	3% or less	4.8%	

<b>RURAL DEVELOPMENT PERFORMANCE SUMMARY</b>			
<b>Strategic Goal/ Management Initiative</b>	<b>FY 1999 Performance Goals</b>	<b>Performance</b>	
		<b>Target</b>	<b>Actual</b>
Goal 2: Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital and credit for quality housing and modern, essential community facilities	Improve the quality of life of residents of rural communities by providing access to credit for decent safe, sanitary housing. Total Units Sec. 502 Direct and 502 Guaranteed and Sec. 504 Loan and Grant.	59,701	65,721
	Number of houses financed with the Section 502 Direct Loan Program.	14,902	16,189
	Number of houses financed with the Section 502 Guaranteed Loan Program.	36,585	39,752
	Number of existing homes improved with Section 504 loans and grants.	8,214	9,780
	Number of jobs created (Direct Section 502).	14,227	14,257
	Number of jobs created (Guaranteed Section 502).	20,599	21,409
	Improve the quality of life for the residents of rural communities by providing access to decent safe, sanitary and affordable rental housing. Number of new units built (FY).	4,573	5,351
	Sec. 515	2,026	2,189
	Sec. 514/516	495	622
	Sec. 538	2,052	2,540
	Number of units rehabilitated (FY).	5,603	4,736
	Sec. 515	3,403	2,340
	Sec. 514/516	353	626
	Sec. 533	1,847	1,770
	Improve the quality of life for rural residents by providing new or improved essential community facilities.		
Number of rural residents with improved standards of living through new or improved essential community facilities (in millions).	11,914	8.0	
Number of jobs created or retained.	13,381	9,600	
<u>Community Health</u>			
Number of new or improved health care facilities.	136	123	
Number of new or improved elder care facilities.	55	42	
Number of beds available at new or improved elder care facilities.	2,171	4,932	
Number of new or improved health care facilities in medically underserved areas.	34	36	
<u>Emergency Services</u>			
Number of new or improved fire and rescue facilities.	101	72	
Number of new or improved fire and rescue vehicles.	231	140	
<u>Education and Child Care</u>			
Number of new or improved child care centers.	61	69	
Number of children served by new or improved child care centers.	6,140	5,628	
Number of new or improved schools.	51	32	
Direct resources to those rural communities and customers with the greatest need.			
Number of households not displaced by loss of rental assistance (number of renewals).	37,116	38,311	
Percent of tenants not displaced by loss of rental assistance.	100%	100%	
Additional tenants living in affordable, decent, safe, and sanitary housing.	4,416	4,046	
Average tenant income.	NA	NA	
Income of tenants who do not receive rental assistance.	NA	NA	
Income of tenants who receive rental assistance.	NA	NA	
Number of tenants who are rent overburdened.	NA	NA	
Percentage of projects that reflect racial/ethnic demographics of area.	NA	NA	
Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.			
Number of customers assisted through leveraging (Direct Section 502).	5,100	5,371	
Number of Guaranteed lenders participating in low-income housing finance.	1,200	1,147	
Number of Rural Home Loan Partnerships.	78	78	
Number of Community Facility funding partnerships.	419	565	
Number of Community Facility borrowers assisted through leveraging.	325	429	

<b>RURAL DEVELOPMENT PERFORMANCE SUMMARY</b>			
<b>Strategic Goal/ Management Initiative</b>	<b>FY 1999 Performance Goals</b>	<b>Performance</b>	
		<b>Target</b>	<b>Actual</b>
Goal 3: Rural Development will improve the quality of life of rural residents by promoting and providing access to capital and credit for the development and delivery of modern, affordable utility services.	Provide rural residents with modern, affordable water and waste services. Rural people provided with safe drinking water systems. Rural people served who previously did not have public water. Rural people provided with access to waste disposal systems. Rural water systems developed or expanded which provide quality drinking water in compliance with the Safe Drinking Water Act. Rural waste disposal systems developed or expanded which comply with State and Federal Environmental standards. Total jobs generated as a result of facilities constructed with W&W funds.	1,102,445 539,416 515,070  522  293 36,100	1,314,012 748,776 583,559  579  328 33,017
	Provide modern, affordable telecommunications services to rural communities. Number of new residents and businesses receiving service. Jobs generated as a result of facilities constructed. Schools receiving transmission facilities for distance learning applications.	206,605 15,008 49	170,000 10,603 15
	Provide distance learning and telemedicine services, utilizing telecommunications technologies to rural communities. Number of schools receiving distance learning facilities. Number of rural residents and businesses receiving education or training over distance learning facilities (in millions). Number of health care providers receiving telemedicine facilities.	941  2.1 1,757	287*  .2* 131*
	Provide modern, affordable electric service to rural communities. Jobs created as a result of facilities constructed with Electric funds. Number of rural electric systems upgraded. Number of consumers benefitting from system improvements (Millions).	24,529 136 2.4	36,018 179 2.8
	Direct program resources to those rural communities with the greatest need. Number of Water and waste assistance projects in the identified 540 persistent poverty counties. Total Project Cost RUS Amount Special Initiative - number of projects and amount of W&W funding EZ/EC Colonias Guaranteed Loans Electric loans made in the identified 540 persistent poverty counties (number and amount) Electric loans made in the identified 700 out-migration counties (number and amount)	179 \$267m \$212m  40(\$35m) 46(\$24m) 49(\$75m) 60 (458m) 79 (608m)	247 \$298m \$257m  28(\$21m) 38(\$22m) 7(\$ 5.8m) 72 (\$538m) 83 (\$379m)
	Maximize the leveraging of loan funds to increase the number of rural residents assisted. Leverage ratio (non-RUS funds invested to RUS funds): Electric Telecommunications Distance learning and telemedicine	2.71:1 5.00:1 3.50:1	2.70:1 5.22:1 1.45:1

<b>RURAL DEVELOPMENT PERFORMANCE SUMMARY</b>			
<b>Strategic Goal/ Management Initiative</b>	<b>FY 1999 Performance Goals</b>	<b>Performance</b>	
		<b>Target</b>	<b>Actual</b>
Management Initiative 1: Rural Development will provide information, technical assistance, and, when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.	Increase the capacity of rural communities and their leaders. Communities assisted in applying for non-Rural Development funds. Clients served through Centers of Excellence and participating Tribal Colleges.	400 3,000	612 4,620
	Create or save jobs in EZ/EC and REAP communities.	1,000 jobs	2,288 jobs
	Maximize resources available in EZ/ECs. Ratio of non-EZ/EC grants to EZ/EC grants	8:1 or greater	8.4:1
Management Initiative 2: Rural Development will design and implement new and innovative internal initiatives which strengthen its ability to help rural residents and communities.	Enhance and build information systems which support the mission area's programs. Implement new Guaranteed Loan System. Replace obsolete WANG system. Recognize Year 2000 in automated systems. Develop Programs Funding Control System. Operationalize the Community Utilities & Business System.	Complete Phase I Complete Testing Accepted Review NFC and other USDA Systems 60%	Phase 1 Complete Complete Review Done plus Cost Analysis 40%
	Manage the mission area's financial resources efficiently and effectively. Send to Treasury debt eligible for administrative offset and cross-servicing. Implement EFT in compliance with DCIA-EFT requirements. % of programs with clean OIG opinion on credit reform calculations. % of business requirements developed for implementing and integrated financial management system. % of OIG financial management audits with management decisions reached within 6 months of report issuance. Obtain clean opinion on audited financial statements. % of FMFIA deficiencies corrected timely.	Imple- ment  30% 60%  25%  90% Yes NA	Imple- mented  32% 0%  0%  90% Qualified NA
Management Initiative 3: Rural Development will create and sustain a work environment that develops and fosters partnerships, cooperation, full and open communications, teamwork, mutual respect, and maximum individual development.	Enhance human resource systems to ensure they are fair and equitable to all employees. Implement new performance appraisal system  Implement new employee recognition and rewards system	Get PC approval and give training Get PC approval and give training	Done  Done
	Implement annual Civil Rights training for all employees	Done	Done

RURAL DEVELOPMENT PERFORMANCE SUMMARY			
Strategic Goal/ Management Initiative	FY 1999 Performance Goals	Performance	
		Target	Actual
Management Initiative 4: Rural Development will foster and continually strengthen an internal culture that focuses on and is driven by customer needs, both internally and externally, systematically acts to make internal processes and individual actions responsive to the needs of customers; and, assures that all customers and employees are treated fairly, equitably, and with dignity and respect.	Reduce backlog of program and EEO complaints.	25% reduct.	75% reduct.
	Obtain feedback from program customers. Cooperative Services Single Family Housing Water and Waste Electric Program Telecommunications.	Survey Survey Survey Survey Survey	Done Done Not Done Not Done Not Done

\*The target assumed full usage of program funds. While all grant funds were utilized, only a small portion of loan funds were used. RUS has rewritten its regulations for this program to better target the use of its lending authority. Full use of lending authority is expected in FY 2000. Also, enhanced outreach efforts by Rural Development staff is expected to be successful.

**Goal 1:** Rural Development will improve the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives.

**Objective 1.1:** Increase the availability and quality of jobs in rural areas.

#### Key Performance Goal

<u>Create or save jobs in rural areas.</u>	
Number of Jobs Created or Saved.*	
<b>Target:</b>	83,738
<b>Actual:</b>	74,379
Community Economic Benefits.**	
<b>Target:</b>	\$3.05 billion
<b>Actual:</b>	\$3.356 billion
IRP Dollars Lent by Intermediaries/IRP Dollars Obligated to Intermediaries (cumulative since program inception).	
<b>Target:</b>	75%
<b>Actual:</b>	89.41%
Non-IRP Funds Leveraged for Each Dollar of IRP Funds.	
<b>Target:</b>	\$3.76
<b>Actual:</b>	\$3.76
Number of Businesses Benefitting from RBEG Program.	
<b>Target:</b>	3,224
<b>Actual:</b>	2,331
Non-RBEG Funds Leveraged for Each Dollar of RBEG Funds.	
<b>Target:</b>	\$2.40
<b>Actual:</b>	\$2.40

<b>Create or save jobs in rural areas.</b> (Continued)	
Non-REDLG Funds Leveraged Per Dollar of Program Funds.	
<b>Target:</b>	\$3.00 Loans; \$3.00 Grants
<b>Actual:</b>	\$3.00 Loans; \$3.00 Grants

<b>Jobs Created or Saved by Program*</b>	Target	Actual
B&I guaranteed	41,631	36,507
B&I Direct	1,980	1,163
Intermediate Relending Program (IRP)	25,250	25,245
Rural Business Enterprise Grants (RBEG)	14,877	11,464

<b>Community Economic Benefits by Program**</b>	Target	Actual
B&I guaranteed	\$2,742M	\$3,109.2M
B&I Direct	\$125M	\$65.3M
IRP	\$82.5M	\$82.5M
RBEG	\$93M	\$91M
Appropriate Technology Transfer Program for Rural Areas (ATTRA)	\$3.3M	\$3.9M
Cooperative Development Grants	\$4.4M	\$4.3M

**1999 Data:** Data comes from a variety of sources including the Finance Office accounting systems, the Rural Communities Facilities Tracking System (RCFTS), Survey/Historical data, Rapoza study data, Administrative Obligations, and Department of Labor estimates. The data from the Finance Office accounting systems is audited by OIG annually and is very reliable. Data in RCFTS is input by the field staff, is not audited, and is considered to be soft data. The Agency believes the data related to jobs and RBEG was under reported by the field and that the goal was actually accomplished. This issue for RBEG will be addressed and resolved in FY 2000. Data regarding leveraging of RBEG funds is based upon a one-time sample requested by the National Office. The Agency will need to collect more accurate information, case by case, in the future. IRP jobs data is based on a 1993 survey by the Center for Community Change and Rapoza Associates. The validity of this information is unknown by the Agency but it is considered sufficiently accurate to be used for management decisions.

**Analysis of Results:** RBS accomplished the IRP goal of providing assistance to 25,250 individuals, 15,680 of whom live in economically distressed areas. Community economic benefit under RBEG fell slightly short of its goal because the agency, using RCAP authority, transferred \$875,680 to the B&I Guarantee Loan Program. If funds were not transferred from the RBEG program, the goal for community economic benefit would have been met.

The B&I Guaranteed Loan program fell about 5,000 jobs short of its goal of 41,631. The average loan in the B&I Guaranteed program increased from \$1,475,000 to 1,574,000 but failed to produce a corresponding increase in job creation.

The B&I Direct Loan program fell short of its jobs creation goal because it was only able to utilize \$26 million of the \$50 million available. The goal would have been met had all available funds been utilized.

**Descriptions of Actions and Schedules:** During FY 2000, the IRP will lend and relend more than \$82.5 million in an effort to create and save jobs throughout rural America. The agency will make a concerted effort to work more closely with all field offices in keeping the RCFTS database up-to-date for the RBEG program. We will accomplish this by writing to the field offices explaining the importance of keeping the system up-to-date and discussing the most significant fields to be input. Additionally, we will periodically monitor the information in the system.

**Current Fiscal Year Performance:** The B&I Guaranteed Loan program has included a "cost per job" goal for FY 2000. New regulations are being developed for the B&I Direct Loan program to improve delivery and understanding of the program. RBS is considering expansion of the eligible areas for the direct program to include underserved areas and segments of the population.

**Program Evaluations:** During FY 1999, the B&I Guaranteed Loan Program was reviewed by internal Business Programs Assessment Reviews (BPAR) an audit by the General Accounting Office (GAO) "Business Loan Losses, RECD #99-249", the Office of the Inspector General "Financial Statement Analysis Audit #34601-002 Ch", and Intermediary Relending Program Audit #34601-001 Te", and an internal Management Control Review.

During FY 1999, RBS conducted BPARs in 10 States. Projects from each program were reviewed and visited to evaluate the delivery of the programs. A report was prepared based on the finding of each review which identified strengths, weaknesses, and recommendations. Each State responded in writing to the weaknesses and recommendations identified. Once the National Office was satisfied with the proposed course of action to address each weakness, the review was closed.

During FY 1999, GAO conducted an audit of B&I Guaranteed Loans made during FY 1994 through 1998. GAO specifically looked at loans obtained by 24 borrowers in 15 States for which losses were paid. GAO concluded that some of the losses could have been avoided if the Agency had obtained feasibility studies to provide a basis for making more informed lending decisions. GAO recommended that the Agency clarify when feasibility studies are to be obtained and emphasize to field offices the importance of carefully evaluating feasibility studies before making lending decisions. The Agency has drafted an Administrative Notice which incorporates these recommendations. Neither the B&I Guaranteed Loan nor the B&I Direct Loan program have been labeled "high risk" by either GAO or OIG.

During FY 1999, a diverse group of RBS employees were selected to form a Management Control Review Team to review and evaluate the effectiveness of existing controls, examine the dissemination and administration of regulations, detect strengths and weaknesses, and identify corrective actions procedures. The review and evaluation included both national and field office program delivery for the B&I Guaranteed Loan Program.

Some of the weaknesses the team found were that Civil Rights issues were silent on Business Programs Assessment Reviews (BPAR) and no follow up was done with States concerning recommendations made on the BPARS; funding concerns included various lack-of-documentation issues, the transfer of funds prior to completion of Budget Office transfers, and requests for National Office reserve funds being received after the cutoff date for competition, but included in the funding cycle anyway; the objectives for the B&I Guaranteed Loan Program in the National Strategic Plan and the Administrator's Priority Goals did not include targeted funding for minority businesses; the Processing and Servicing Divisions activity tracking systems were not consistent, and, therefore, information captured did not have the same meaning for management's use; and the Audit Database did not provide accurate information or was kept up-to-date. A copy of the audits can be obtained by contacting OIG at (202) 720-5242.

**Objective 1.2:** Encourage and promote the use of marketing networks and cooperative partnerships to increase and expand business outlets.

**Key Performance Goal**

<u>Assist marketing networks and cooperative partnerships in the establishment and expansion of business outlets.</u>	
Technical assistance and educational services provided.	
<b>Target:</b>	200
<b>Actual:</b>	215
Customer rated quality of technical assistance.	
<b>Target:</b>	3/5
<b>Actual:</b>	3/5
Leverage of research expenditure (dollar value of RBS sponsored research per dollar of RBS research expenditures).	
<b>Target:</b>	\$1.20
<b>Actual:</b>	\$1.25
Research and educational materials provided to customers.	
<b>Target:</b>	100,000
<b>Actual:</b>	99,600
Number of responses to inquires for information.	
<b>Target:</b>	15,000
<b>Actual:</b>	16,500
Percentage of B&I guaranteed funds obligated to cooperatives.	
<b>Target:</b>	20%
<b>Actual:</b>	4.4%

**1999 Data:** Data is compiled from State Reports, Surveys, Contracts Let, Shipments, and Customer Service Logs. This information, while not audited, is considered sufficiently accurate to be used for management decisions.

**Analysis of Results:** All goals were met in FY 1999.

Current Fiscal Year Performance: All goals have been reviewed, are considered to be reasonable, and are expected to be met again in FY 2000.

**Descriptions of Actions and Schedules:** No actions are planned.

**Program Evaluations:** No GAO, OIG, or other formal Program Evaluations were conducted in FY 1999.

**Objective 1.3:** Direct Rural Development program resources to those communities and customers with the greatest need.

**Key Performance Goal**

<u>Direct resources to those communities and customers with the greatest need.</u>	
Percentage of funds obligated to Enterprise Zones/Enterprise Communities.	
B&I Guaranteed	
<b>Target:</b>	1.3%
<b>Actual:</b>	1.3%

<u>Direct resources to those communities and customers with the greatest need.</u> (Continued)		
IRP	<b>Target:</b>	21%
	<b>Actual:</b>	12.1%
RBEG	<b>Target:</b>	21%
	<b>Actual:</b>	21.5%
Percentage of funds obligated involving Other Presidential or Departmental Initiatives (Pacific Northwest, REAP Zones, and Champion Communities).		
B&I Guaranteed	<b>Target:</b>	10%
	<b>Actual:</b>	37.6%
IRP	<b>Target:</b>	20%
	<b>Actual:</b>	48%
RBEG	<b>Target:</b>	20%
	<b>Actual:</b>	48.8%
REDLG	<b>Target:</b>	2%
	<b>Actual:</b>	47.3%
Technical assistance to cooperatives in poverty areas (number of impoverished or economically depressed counties in which service was provided).		
	<b>Target:</b>	75
	<b>Actual:</b>	Not Available

**1999 Data:** Data is compiled from RCFTS, the Program Loan Accounting System (PLAS), and state surveys. PLAS is audited annually by OIG and its data is considered accurate and valid. RCFTS is an automated system with data input by the field staff. While the data gathered from RCFTS and state surveys is soft, this information is considered sufficiently accurate to be used for management decisions.

**Analysis of Results:** The goal was achieved. The B&I Guaranteed Loan Program and RBEG met their targets for Empowerment Zones/Enterprise Communities(EZ/EC). The IRP exceeded its combined goal of 41% by using 60% of the available funds in communities with the greatest need: 48% of the funds went to communities with severe economic problems, emergency conditions, or projects designated as Presidential or Departmental initiatives and 12.1% went to EZ/EC's. All programs easily exceeded their targets for the percentage of funds obligated involving Other Presidential and Departmental initiatives, which includes those counties or areas which have persistent poverty/out-migration problems, are economically/physically impacted, having military bases closed, are REAP zones, and special initiatives such as the Pacific Northwest and Alaska.

**Descriptions of Actions and Schedules:** To enhance the distribution of funds in the IRP to those communities with the greatest need, the Administrator has begun holding monthly teleconferences with all State Offices. In addition, a CD-ROM on the IRP program will be developed by the end of calendar year 2000. The EZ/EC and other initiatives are included as part of the Administrator's goals and the agency has tracking systems in place to capture dollars spent on all RBEG initiatives. In FY 2000, Round 2 EZ/ECs will be eligible for set aside funds which should help to increase funds used in those areas.

**Current Fiscal Year Performance:** With increased IRP outreach and recognition of communities and customers with the greatest need, we anticipate a substantial increase in the demand for EZ/EC, Presidential, and Departmental initiative funding. The demand for the RBEG program increases from year

to year even as appropriated dollars decrease. We expect to fully utilize all funds appropriated for EZ/EC and other initiatives.

**Program Evaluations:** No GAO, OIG, or other formal Program Evaluations were conducted in FY 1999.

**Objective 1.4:** Manage the portfolio in a manner that is efficient and effective.

**Key Performance Goal**

Manage the B&I portfolio effectively to minimize the delinquency rate.	
B&I Guaranteed Delinquency Rate (excluding bankruptcy cases).	
<b>Target:</b>	3%
<b>Actual:</b>	4.8%

**1999 Data:** Data is obtained from the RCFTS, which is a non-accounting management system containing a variety of data related to Business Programs. Data is input by the field staff based upon reports on the status of guaranteed lenders provided by the lenders. RCFTS does not contain edits to verify the accuracy of the data. This information is less reliable because it is obtained manually and its accuracy cannot be verified. However, confidence in this data is sufficiently high for it to be used for management decisions.

**Analysis of Results:** A delinquency goal for the State Directors was established at 3 percent (excluding bankruptcies) for FY1999. The delinquency achievement for this period was 4.8 percent (excluding loans in bankruptcy). On April 24, 1999, at the time the goal was established, the delinquency rate was 4.4 (excluding loans in bankruptcy). A delinquency goal of 3 percent (excluding loans in bankruptcy) had been attained at the end of FY 1998. Shortly after establishing the goal, we experienced a number of loan delinquencies which occurred shortly after the loans were made. The delinquencies continued to rise through the 4<sup>th</sup> Quarter of FY1999. Despite adding 313 total borrowers during the year, consistent servicing by lenders and State Offices, and quarterly monitoring and control by the National Office staff, the delinquency continued to increase to 4.8 percent at year end.

**Descriptions of Actions and Schedules:** To return the trend to declining delinquency, the National Office will establish within each State Office a targeted level of achievement that will result in reduced delinquencies. State Directors will be advised of their target by April 1, 2000.

**Current Fiscal Year Performance:** The National Office will monitor at least quarterly for achievement levels.

**Program Evaluations:** The Office of Inspector General (OIG) initiated an audit of the IRP, administered by Business Programs, to determine if program results are consistent with the program's mission and goals and whether loan funds are used for approved purposes. OIG visited 14 intermediaries in 6 states and reviewed loans totaling \$29.3 million. They identified ineligible loans, improper use of loan funds, and deficient reporting and monitoring procedures.

OIG recommended that the Agency (1) recover the funds used for ineligible purposes, (2) revise IRP regulations to clearly state that revolved funds are for rural development and for purposes that meet the eligibility requirements for initial loans, (3) clarify regulations to provide detailed guidelines for making conflict of interest determinations, (4) improve procedures for more efficient use of program funds, and (5) improve reporting and monitoring procedures.

OIG has accepted closure on all recommendations. A copy of the audit may be obtained by contacting OIG at (202) 720-5242.

**Goal 2:** Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital and credit for quality housing and modern, essential community facilities.

**Objective 2.1:** Improve the quality of life for the residents of rural communities by providing access to decent, safe, sanitary and affordable housing.

**Key Performance Goal**

<u>Improve the quality of life of residents of rural communities by providing access to credit for decent safe, sanitary housing.</u>	
Total Units Sec. 502 Direct and 502 Guaranteed and Sec. 504 Loan and Grant (including disaster loans)	
<b>Target:</b>	59,701
<b>Actual:</b>	65,721
Number of houses financed with the Section 502 Direct Loan Program	
<b>Target:</b>	14,902
<b>Actual:</b>	16,189
Number of houses financed with the Section 502 Guaranteed Loan Program	
<b>Target:</b>	36,585
<b>Actual:</b>	39,752
Number of existing houses improved with Section 504 Loans and Grants	
<b>Target:</b>	8,214
<b>Actual:</b>	9,780
Number of jobs created (Direct Section 502)	
<b>Target:</b>	14,227
<b>Actual:</b>	14,257
Number of jobs created (Guaranteed Section 502)	
<b>Target:</b>	20,599
<b>Actual:</b>	21,409

**1999 Data:** Data on the number of homes financed or improved were derived from Rural Development Finance Office obligation records, which are reliable and audited by OIG. The number of jobs created was based on a construction industry multiplier of 2.448 jobs per home. The multiplier, obtained from the National Association of Home Builders, is not subject to governmental audits.

**Analysis of Results:** The performance goal was met. The target was exceeded for the number of homes financed through the Section 502 Direct Loan Program and the Section 502 Guaranteed Loan Program, as well as the number of existing homes improved with Section 504 Loans and Grants. The actual average loan size was lower than estimated, thereby permitting a greater number of loans within budgeted program levels. RHS estimates on average loan size for Section 502 were high because of a belief that HUD’s increase in loan limits would have a more upward push on loan size than resulted. The number of jobs created by the Section 502 Direct and Guaranteed Programs exceeded the target.

The FY 1999 and 2000 Annual Performance Plan contained additional measures for this objective that are being discontinued. See Appendix A.

**Current Fiscal Year Performance:** All current performance indicators for this goal will continue for FY 2000. RHS will continue to monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

**Program Evaluations:**

1. Review of Centralized Servicing Operations (Audit 04099-003-FM) dated 01/26/1999.
2. Audit of the Single Family Housing Loan Escrow Investment Services Contract (Audit 04099-004-FM) dated 01/26/1999.
3. Final - Guaranteed Rural Housing Loan Program (04601-002-AT) dated 03/25/1999.
4. Final - Controls Over Sold Rural Housing Loans Need Improvement to Protect RD's Interest (Audit 04801-FM) dated 09/23/1999.
5. Audit of Rural Development's Fiscal Year 1998 Financial Statements (Audit 50401-028-FM) dated 02/01/1999.

A copy of these audits may be obtained by contacting OIG at (202) 720-5254.

**Key Performance Goal**

<u>Improve the quality of life for the residents of rural communities by providing access to decent safe, sanitary, and affordable rental housing.</u>	
Number of New Units Built (FY) - Total	
<b>Target:</b>	4,573
<b>Actual:</b>	5,351
Number of New Units Built (FY) - Sec. 515	
<b>Target:</b>	2,026
<b>Actual:</b>	2,189
Number of New Units Built (FY) - Sec. 514/516	
<b>Target:</b>	495
<b>Actual:</b>	622
Number of New Units Built (FY) - Sec. 538	
<b>Target:</b>	2,052
<b>Actual:</b>	2,540
Number of units rehabilitated (FY) - Total	
<b>Target:</b>	5,603
<b>Actual:</b>	4,736
Number of units rehabilitated (FY) - Sec. 515	
<b>Target:</b>	3,403
<b>Actual:</b>	2,340
Number of units rehabilitated (FY) - Sec. 514/516	
<b>Target:</b>	353
<b>Actual:</b>	626
Number of units rehabilitated (FY) - Sec. 533	
<b>Target:</b>	1,847
<b>Actual:</b>	1,770

**1999 Data:** The number of new units built and the number of units rehabilitated were derived from Multifamily Housing staff's internal records, which are not audited but considered reliable.

**Analysis of Results:** The performance goal was met. Targets for new units built were exceeded for the Section 515 Rural Rental Housing Loan Program, the Section 514/516 Farm Labor Housing Program and the Section 538 Rural Rental Guaranteed Loan Program.

The actual number of units rehabilitated exceeded the Section 514/516 target and narrowly missed the target for the Section 533 Housing Preservation Grant Program. The actual number of Section 515 units rehabilitated was 31% lower than the target, reflecting the difficulty in predicting the wide variations in rehab project costs, and the fact that some FY 1999 rehab money went to equity loans in order to keep

Section 515 units in the program. The variation in rehabilitation costs was also a factor in Section 514/516 exceeding the target by 77%.

The FY 1999 annual performance plan contained additional measures for this objective, however RHS analysis determined that these measures did not contribute appreciably to the measurement of program performance and are discontinued for FY 2000. See Appendix A for an explanation regarding the discontinuation.

**Descriptions of Actions and Schedules:** System enhancements will permit the tracking of rehabilitated units for all programs beginning with fiscal year 2000.

**Current Fiscal Year Performance:** RHS will monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

**Program Evaluations:**

2. Evaluation of Rural Rental Housing Program Tenant Income Verification Process (Audit 04801-004-CH) dated 02/12/1999.

A copy of the audit may be obtained by contacting OIG at (202) 720-5242.

**Objective 2.2:** Improve the quality of life in rural America by providing essential community facilities.

**Key Performance Goal**

<u>Improve the quality of life for rural residents by providing new or improved essential community facilities.</u>	
Number of rural residents with improved standards of living through new or improved essential community facilities	
<b>Target:</b>	11.914 million
<b>Actual:</b>	8.0 million
Number of jobs created or retained	
<b>Target:</b>	13,381
<b>Actual:</b>	9,600
Number of new or improved health care facilities	
<b>Target:</b>	136
<b>Actual:</b>	123
Number of new or improved elder care facilities	
<b>Target:</b>	55
<b>Actual:</b>	42
Number of beds available at new or improved elder care facilities	
<b>Target:</b>	2,171
<b>Actual:</b>	4,932
Number of new or improved health care facilities in medically under-served areas	
<b>Target:</b>	34
<b>Actual:</b>	36
Number of new or improved fire and rescue facilities (emergency services)	
<b>Target:</b>	101
<b>Actual:</b>	72

Improve the quality of life for rural residents by providing new or improved essential community facilities.  
(Continued)

Number of new or improved fire and rescue vehicles	
<b>Target:</b>	231
<b>Actual:</b>	140
Number of new or improved child care centers	
<b>Target:</b>	61
<b>Actual:</b>	69
Number of children served by new or improved child care centers	
<b>Target:</b>	6,140
<b>Actual:</b>	5,628
Number of new or improved schools	
<b>Target:</b>	51
<b>Actual:</b>	32

**1999 Data:** Community Facility Program data were derived from the Community Facility staff's internal tracking system in unison with the Rural Community Facilities Tracking System (RCFTS). The RHS field staff input the data and it is not audited. Although the agency considers this soft data, it is used in managing the program.

**Analysis of Results:** The performance goal was met. The performance indicators for the Community Facilities programs are difficult to predict because the outcomes depend on the mix of projects funded. Program funds have been used for more than 80 different purposes, including child care centers, assisted living facilities, hospitals, health clinics, fire stations, libraries, telecommunications, school facilities, community buildings, and industrial parks. The mix of projects funded depends on community needs across the country and the timing of loan and grant applications. The FY 1999 variance of actual performance compared with the targets reflects the unpredictability of the project mix and is no cause for alarm. A review of the previous two fiscal years activity shows that these indicators do not move in unison with the program levels.

In addition, projections for FY 1999 target performance assumed 100% utilization of Guaranteed Loan Program funding authority rather than the lower historical rates. The usage rate was 51% in FY 1999 and 33% in FY 1998. Although underutilization of Guaranteed Program funds resulted in some unmet targets, actual performance exceeded performance in FY 1998. For instance, the number of new or improved health care facilities funded in FY 1999 was 123, up from 101 in FY 1998. In addition, the number of elder care facilities such as nursing homes and assisted living exceeded FY 1998 performance, up from 40 to 42 facilities. Even with the optimistic projections, the Community Facility program area did meet the target performance for the number of beds available at new or improved elder care facilities, and the number of health care facilities in medically under-served areas.

It is important to note that the program experienced a record year in FY 1999 in comparison to FY 1998 in terms of the number of childcare facilities funded and the number of children served. For instance, the program funded 45 child care facilities and served 4,548 children in FY 1998, while in FY 1999 the program funded 69 child care facilities and served 5,628 children. In the area of rural education, program performance indicators were difficult to predict since the outcomes depend on the community need and stage of project development across the country. For FY 2000 the program is placing increased emphasis and resources in strengthening rural education facilities and services.

**Descriptions of Actions and Schedules:** RHS will continue efforts to increase utilization of Community Facility Guaranteed Loan Program funds through extensive outreach to lenders. During FY 1999 efforts were made which will impact FY 2000 including meetings with local lenders, training States on conducting outreach meetings, and issuing CD's to States on the outreach efforts at the training meeting. In addition,

the guaranteed regulation has been streamlined and a lenders handbook prepared which will help in the coming year.

**Current Fiscal Year Performance:** All current performance indicators for this goal will continue for FY 2000. RHS will monitor performance periodically.

**Program Evaluations:** None conducted during FY 1999.

**Objective 2.3:** Direct Rural Development program resources to those rural communities and customers with the greatest need.

**Key Performance Goal**

Direct resources to those rural communities and customers with the greatest need.	
Number of households not displaced by loss of rental assistance (number of renewals)	
<b>Target:</b>	37,116
<b>Actual:</b>	38,311
Percent of tenants not displaced by loss of rental assistance	
<b>Target:</b>	100%
<b>Actual:</b>	100%
Additional tenants living in affordable, decent, safe, and sanitary housing	
<b>Target:</b>	4,416
<b>Actual:</b>	4,046
Average tenant income	
<b>Target:</b>	Not yet available
<b>Actual:</b>	NA
Income of tenants who do not receive Rental Assistance	
<b>Target:</b>	Not yet available
<b>Actual:</b>	NA
Income of tenants who receive Rental Assistance	
<b>Target:</b>	Not yet available
<b>Actual:</b>	NA
Number of tenants who are rent overburdened	
<b>Target:</b>	Not yet available
<b>Actual:</b>	NA
Percentage of projects that reflect racial/ethnic demographics of local area	
<b>Target:</b>	Not yet available
<b>Actual:</b>	NA

**1999 Data:** The actual performance data shown above comes from the Multifamily Housing staff's internal tracking system. The agency considers this to be soft, but reliable, data. It is not audited.

**Analysis of Results:** The performance goal was met. RHS met the target of 100% of tenants not displaced by loss of rental assistance. All 38,311 households with expiring rental assistance agreements obtained renewals. The number of additional tenants living in affordable, decent, safe, and sanitary housing missed the target of 4,416 by 370 or 8.4%. This shortfall is the result of construction and occupancy lag time not anticipated in the target performance.

**Descriptions of Actions and Schedules:** Target performance will be established for the various tenant income and racial/ethnic performance indicators in FY 2000 when data becomes available from the new Multi-Family Tenant File System.

**Current Fiscal Year Performance:** All current performance indicators will continue for this goal in FY 2000. RHS will monitor performance periodically and take necessary action in the event performance is less than the target.

**Program Evaluations:** None conducted during FY 1999.

**Objective 2.4:** Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

**Key Performance Goal**

<u>Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.</u>	
Number of borrowers assisted through leveraging (Direct Section 502)	
<b>Target:</b>	5,100
<b>Actual:</b>	5,371
Number of Guaranteed lenders participating in low-income housing finance	
<b>Target:</b>	1,200
<b>Actual:</b>	1,147
Number of Rural Home Loan Partnerships	
<b>Target:</b>	78
<b>Actual:</b>	78
Number of Community Facility funding partnerships	
<b>Target:</b>	419
<b>Actual:</b>	565
Number of Community Facility borrowers assisted through leveraging	
<b>Target:</b>	325
<b>Actual:</b>	429

**1999 Data:** The actual performance data for the Direct Section 502 program comes from the Single Family Housing staff’s internal tracking system, while data on Guaranteed Section 502 comes from a FOCUS ad hoc report. The Community Facility Program data were derived from the Community Facility staff’s internal tracking system. The agency considers the data to be soft, but reliable. It is not audited.

**Analysis of Results:** The performance goal was met. All targets were met or exceeded, with one minor exception. The number of guaranteed lenders participating in low-income housing finance for FY 1999 missed the target by only 4.4%.

The FY 1999 annual performance plan contained an additional measure for this objective, however RHS analysis determined that this measure did not contribute appreciably to the measurement of program performance and is discontinued for FY 2000. See Appendix A for an explanation regarding the discontinuation.

**Descriptions of Actions and Schedules:** No corrective action is necessary.

**Current Fiscal Year Performance:** RHS will monitor performance periodically.

**Program Evaluations:** None conducted during FY 1999.

**Objective 2.5:** Manage the loan portfolio in a manner that is efficient and effective.

**Key Performance Goal**

Graduate eligible housing borrowers to other sources of credit.

The FY 1999 annual performance plan contained a measure of this performance goal, however RHS analysis determined that adequate data could not be obtained for this indicator and is discontinued. See Appendix A.

**Goal 3:** Rural Development will improve the quality of life of rural residents by promoting and providing access to capital and credit for the development and delivery of modern, affordable utility services.

**Objective 3.1** Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable water and waste water services in rural communities.

**Key Performance Goal**

Provide rural residents with modern, affordable water and waste services.

Rural people receiving safe, affordable drinking water from water systems financed by W&W loans and grants	<b>Target:</b> 1,102,445
	<b>Actual:</b> 1,314,012
Rural people served who did not previously have public water service (includes Water 2000 projects)	<b>Target:</b> 539,416
	<b>Actual:</b> 748,776
Rural people receiving safe, affordable waste disposal service through waste disposal systems financed by W&W loans and grants.	<b>Target:</b> 515,070
	<b>Actual:</b> 583,559
Rural water systems developed or expanded which provide quality drinking water in compliance with the Safe Drinking Water Act	<b>Target:</b> 522
	<b>Actual:</b> 579
Rural waste disposal systems developed or expanded which provide quality waste disposal service in compliance with State and Federal environmental standards	<b>Target:</b> 293
	<b>Actual:</b> 328
Total jobs generated as a result of facilities constructed with W&W funds	<b>Target:</b> 36,100
	<b>Actual:</b> 33,017

**1999 Data:** This data is considered reliable. The numbers are determined by extrapolating from the data in the Program Loan Accounting System which is audited annually by the Office of the Inspector General. The jobs generated data is arrived at through a methodology devised by the Bureau of Labor Statistics and the USDA Economic Research Service. The basic formula is 23 jobs per \$1 million of funds invested, including non-RUS funds invested through leveraging.

**Analysis of Results:** All of the indicators, except jobs generated, exceeded their targets, therefore the performance goal was exceeded. Achievement of the goal is dependent on a number of factors including available program funding. There is a significant backlog of applications waiting to be funded and existing applications are prioritized using set criteria.

**Current Fiscal Year Performance:** A similar level of performance is expected in FY 2000 assuming availability of funding. Initiatives such as the Rural Community Development Initiative in the FY 2000 Agricultural Appropriations Bill may contribute to continued success of the program.

**Program Evaluations:** None conducted in FY 99.

**Objective 3.2** Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable telecommunications services, including distance learning and telemedicine facilities in rural communities.

### Key Performance Goal

<u>Provide modern, affordable telecommunications services to rural communities.</u>	
Number of new residents and businesses receiving service.	
<b>Target:</b>	206,605
<b>Actual:</b>	170,000
Jobs generated as a result of facilities constructed with Telecommunication funds.	
<b>Target:</b>	15,008
<b>Actual:</b>	10,603
Schools receiving transmission facilities for distance learning applications.	
<b>Target:</b>	49
<b>Actual:</b>	15

**1999 Data:** Data related to the number of new residents and businesses receiving service and the number of schools receiving transmission facilities comes from project files. While this data does not come from an automated system, it is considered reliable by management. The jobs generated data is arrived at through a methodology devised by the Bureau of Labor Statistics and the Economic Research Service. The basic formula is 23 jobs per \$1million of funds invested.

**Analysis of Results:** The goal was not achieved. Target performance assumed full usage of the program funds for the year which did not occur. The total amount of loan funds available for the fiscal year were not obligated (\$460 million was obligated out of \$553 million available, or 70 percent). This shortfall is related to the operating environment of the telecommunications industry, which is rapidly changing, as well as the types of assistance currently sought by the industry. RUS anticipates that capital demand in the near future will exceed funds available from RUS at current program levels.

**Descriptions of Actions and Schedules:** The Telecommunications Act of 1996 made clear the mandate that universally available and affordable telecommunications services be provided to all citizens of the Nation – whether in rural areas or city centers, affluent or poor. As the industry moves forward in a dynamic, competitive environment, RUS will be introducing new policy and rule changes needed to keep pace with those rapid changes. This will enable RUS to target unserved areas and continue to focus on providing financing that ensures rural areas have access to the most modern, advanced services available today.

**Current Fiscal Year Performance:** RUS' targets for FY 2000 will be based upon full utilization of funds and are expected to be met.

**Program Evaluations:** OIG - 01/29/99 - Audit of Rural Telephone Bank Financial Statements for FY 1998 (#09401-004-FM).

A copy of this audit may be obtained by contacting OIG at (202) 720-5242.

**Key Performance Goal**

<u>Provide distance learning and telemedicine services, utilizing telecommunications technologies, to rural communities.</u>	
Number of schools receiving distance learning facilities.	
<b>Target:</b>	941
<b>Actual:</b>	287
Number of rural residents and businesses receiving education or training over distance learning facilities (in millions).	
<b>Target:</b>	2.1
<b>Actual:</b>	0.2
Number of health care providers receiving telemedicine facilities.	
<b>Target:</b>	1,757
<b>Actual:</b>	131

**1999 Data:** This data is obtained from RUS program records of projects funded and is considered reliable by management.

**Analysis of Results:** Target performance assumed full usage of the program funds which did not occur. While all grant funds were utilized, only \$2 million of the \$150 million in loan funds were obligated. The regulations governing the distance learning and telemedicine loan and grant program were completely re-written during 1999. While the changes are designed to more effectively promote the program’s loan authorities, the new regulations had little opportunity to impact performance in FY 1999. The impact of the changes will be apparent in FY 2000 and beyond.

**Descriptions of Actions and Schedules:** The program revisions mentioned above are in effect and more clearly delineate the application requirements for the loan, grant, and combination loan and grant programs. A new combination loan and grant program was introduced which pairs loans up with grants on a 10 to 1 ratio. That is, for every \$10 in loan applications, the applicant would receive an additional \$1 in grant funds. The purposes for which loan funds can be utilized was also broadened and a new expedited application review process was implemented. In FY 2000 RUS will place the highest priority on fully utilizing its authorized lending authority for the DLT program through increased partnerships with the Rural Development state and local offices.

**Current Fiscal Year Performance:** RUS’ targets for FY 2000 will be based upon full utilization of funds.

**Program Evaluations:** OIG - Final - Distance Learning and Telemedicine Program (#09601-002-TE).

A copy of this audit may be obtained by contacting OIG at (202) 720-5242.

**Objective 3.3** Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable electric service to rural communities.

**Key Performance Goal**

<u>Provide modern, affordable electric service to rural communities.</u>	
Jobs created as a result of facilities constructed with Electric funds.	
<b>Target:</b>	24,529
<b>Actual:</b>	36,018
Number of rural electric systems upgraded.	
<b>Target:</b>	136
<b>Actual:</b>	179
Number of consumers benefitting from system improvements (millions).	
<b>Target:</b>	2.4
<b>Actual:</b>	2.8

**1999 Data:** These results are extracted from the Rural Utilities Service Loan Servicing System. This system contains a variety of data edits to minimize the risk of inaccurate data being entered into the system. The system is audited annually by OIG as a part of their development of an audited financial statement. The data is considered to be of high quality and reliability. The jobs generated data is arrived at through a methodology devised by the Bureau of Labor Statistics and the USDA Economic Research Service. The basic formula is 23 jobs per \$1 million of funds invested.

**Analysis of Results:** The targets were exceeded for all goals. Achievement of the goal is directly related to the level of program funding and agency staffing level. The ability to exceed the targets can be attributed to the efficient utilization of staff available and the institutional knowledge of existing staff. Success can also be attributed to the ongoing effort to build leveraging partnerships expanding the resources going into rural areas.

**Current Fiscal Year Performance:** Performance for FY 2000 is expected to be consistent with FY 1999.

**Program Evaluations:** None conducted.

**Objective 3.4** Where applicable, direct Rural Development program resources to those rural communities and customers with the greatest need.

**Key Performance Goal**

<u>Direct program resources to those rural communities with the greatest need.</u>	
Number of RUS W&W assistance projects in the 540 persistent poverty counties.	
<b>Target:</b>	179
<b>Actual:</b>	247
Total project cost.	
<b>Target:</b>	\$267 m
<b>Actual:</b>	\$298m
RUS amount.	
<b>Target:</b>	\$212 m
<b>Actual:</b>	\$257m
Special initiative - number of projects and amount of W&W funding (amount in millions).	
EZ/EC	
<b>Target:</b>	40 (\$35)
<b>Actual:</b>	28 (\$21)
Colonias	
<b>Target:</b>	46 (\$24)
<b>Actual:</b>	38 (\$22)

<u>Direct program resources to those rural communities with the greatest need.</u> (Continued)	
Guaranteed Loans	
<b>Target:</b>	49 (\$75)
<b>Actual:</b>	7 (\$5.8)
Loans (number and amount) to borrowers serving persistent poverty counties (RUS financed electric systems provided service to 523 of the 540 identified persistent poverty counties) (dollars in millions)	
<b>Target:</b>	60 (\$458)
<b>Actual:</b>	72 (\$538)
Loans (number and amount) to borrowers serving persistent out-migration counties (RUS financed electric systems provide service to 655 of the 700 counties identified as having net out-migration) (dollars in millions)	
<b>Target:</b>	79 (\$608)
<b>Actual:</b>	83 (\$379)

**1999 Data:** This data is considered highly reliable. The data comes from the RUS Loan Servicing System (RUSLS), the Program Loan Accounting System (PLAS), the Guaranteed Loan Accounting System (GLAS) and the Rural Community Facilities Tracking System (RCFTS). RUSLS, PLAS and GLAS are accounting systems designed to manage the agency's portfolio of direct and guaranteed loans. These systems contain a variety of edits to minimize the risk of inaccurate data being placed in the systems. These systems are audited annually by OIG as a part of their development of an audited financial statement. RCFTS is a non-accounting system and does not contain the edits of the accounting systems.

**Analysis of Results:** Actual performance exceeded target performance for the number of electric program loans in total, 155 to 139 and for Water and Waste loans in number 320 to 314. These numbers include financing to borrowers who may fall into more than one category. Performance indicators for Pacific Northwest and Alaskan Villages were not included because there was no target for FY 1999. They will be included in the FY 2000 report. Overall the goal of directing program resources to those communities with the greatest need was exceeded.

**Current Fiscal Year Performance:** Performance in FY 2000 is expected to be the same subject to funding levels. Achievement of target levels is not only a function of available funding, but also of the level of applications received that meet RUS criteria.

**Program Evaluations:** None conducted.

**Key Performance Goal**

<u>Maximize the leveraging of loan funds to increase the number of rural residents assisted.</u>	
Rural electric leverage ratio (private investment in rural electric infrastructure/RUS loan advances)	
<b>Target:</b>	\$2.71:\$1
<b>Actual:</b>	\$2.70:\$1
Rural Telecommunications leverage ratio (private investment/RUS and RTB loans)	
<b>Target:</b>	\$5.00:\$1
<b>Actual:</b>	\$5.22:\$1
Leveraging of financial assistance for distance learning and telemedicine (non-RUS/RUS finding)	
<b>Target:</b>	\$3.50:\$1
<b>Actual:</b>	\$1.45:\$1

**1999 Data:** This data is derived from RUS application records and is considered reliable and is verifiable. The telecommunication leverage ratio is available from RUS form 479, Part F. While this information is provided by the applicant and is not subject to audit, it is considered sufficiently accurate for management’s purposes and for the purposes for which it is being used.

**Analysis of Results:** Two of the three targets were met or exceeded. One target was not met. It is the opinion of RUS management that overall the goal was met.

**Descriptions of Actions and Schedules:** RUS is taking action to ensure that the total funds available for FY2000 will be used and the targets will be met. This includes enhanced outreach activities by RUS staff and Rural Development State Offices.

**Current Fiscal Year Performance:** RUS expects to fully utilize the total funds available for FY2000 and meet the leveraging targets. Again, increased outreach efforts to obtain non-Federal financing are expected to be successful.

**Program Evaluations:** None conducted.

**Management Initiative 1:** Provide Information, technical assistance, and when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.

**Key Performance Goal**

<u>Assist rural communities to apply for non-USDA Rural Development assistance to implement their community plans</u>	
Number of communities assisted	
<b>Target:</b>	400
<b>Actual:</b>	612
Clients served through Centers of Excellence and participating Tribal Colleges	
<b>Target:</b>	3,000
<b>Actual:</b>	4,620

**1999 Data:** At the end of the fiscal year, each State Director provides a report on the achievement of the Administrator’s priority performance goals. “Communities Assisted” is one of the elements the State Directors must self-certify. This information is also reported in the same manner by the Centers of Excellence. This is a new approach/element and there are no standardized performance levels developed at this time.

**Analysis of Results:** Both indicators were exceeded and the performance goal was achieved. A third indicator is being discontinued. (See Appendix A). FY 1999 was a good starting point for monitoring community development activity within our state offices. Many states exceeded our expectations while others did not, but the Office of Community Development in the National Office now knows which states will likely need additional assistance in FY 2000. Moving toward total community development, rather than just implementing Rural Development financial programs, is a new function for the mission area and is the thrust of the Agency’s goals. It is an Administrator’s priority performance goal for the State Directors, which emphasizes the importance placed on this goal by the mission area. Additionally, Rural Development is utilizing existing knowledge and resources for rural development available at the colleges and universities through the Centers of Excellence and participating Tribal Colleges.

**Current Fiscal Year Performance:** Although the overall goal was met, each State did not contribute proportionally to that success, Rural development will maintain the same goal for FY 2000. Field staff will continue to be trained in non-USDA fund utilization. As a result of our analysis of the data obtained in FY

1999, the second performance indicator will be restructured in the FY 2000 and 2001 plan to expand its scope. The new indicator will look for partnerships built that implement a technical network for communities within each state, rather than individual clients served through the Centers of Excellence. The NOFA page will continue to be operational on the EZ/EC web site.

**Program Evaluations:** None conducted during FY 1999.

**Key Performance Goal**

<u>Create or save jobs in EZ/EC and REAP communities</u>	
Jobs created or saved	
<b>Target:</b>	1,000
<b>Actual:</b>	2,288

**1999 Data:** The FY 1999 actual data are annualized estimates of the number of jobs saved or created over the past four years. The Office of Community Development lacks a good base on the number of new jobs created in the early years of the program. A former paper-based reporting system has been replaced with a web-based system. While the mission area will always be dependent upon the communities to self-report the data, converting from a paper-based reporting system to a web-based system has greatly improved the validity of the data. The accuracy of the data from the web-based system is considered sufficient for management decisions.

**Analysis of Results:** The performance goal was met, evidenced by the fact that the target was exceeded. Rural Development was able to provide assistance to the EZ/EC communities and communities in other initiatives, by providing technical assistance in the assessment of the communities strength and needs through well thought out strategic plans. With a good plan in place, the financial resources available to these communities are then used efficiently and effectively to support infrastructure needs. Building water and waste systems, providing business loans and providing housing repair loans all result in jobs in the community. Saving and creating jobs is vital to prospering communities and a meaningful measure of the mission area’s community development activities.

**Current Fiscal Year Performance:** The mission area is increasing the number of EZ/ECs which will mean an increase in the number of jobs created or saved. However, since it takes several years to develop and implement the strategic plans and fund and build the projects, an increase in jobs created or saved will likely not occur for several years. Therefore, the goal for FY 2000 will remain constant. Additionally, reductions in program funds will lead to a smaller increase than expected or a delay in that increase.

**Program Evaluations:** None in FY 1999.

**Key Performance Goal**

<u>Promote leveraging of funds</u>	
Ratio of non-EZ/EC grants to EZ/EC grants	
<b>Target:</b>	8:1 or greater
<b>Actual:</b>	8.4:1

**1999 Data:** These data are also reported in the Web-based bench marking system. They are self-reported by the communities but are considered adequate for management’s purposes.

**Analysis of Results:** The performance goal was achieved. This indicator ties our community development efforts of providing technical assistance to the mission area’s desire to maximize the

leveraging of funds. In times of shrinking budgets utilizing all available resources is critical to helping the communities succeed. The success of this goal is dependent on the area economy as well.

**Current Fiscal Year Performance:** As with our own resources, those sources that we turn to for leveraging are also faced with shrinking financial resources. This coupled with the addition of new EZ/EC may lower the average and the reason we are projecting a lower target for FY 2000.

**Program Evaluations:** The Office of Community Development, which oversees the rural EZ/EC program, has conducted nine Program Reviews and one Management Control Review, as well as assisted in one State Internal Review. These reviews have taken place from 1997 to 1999. The reviews entail looking at broad structure, benchmarks, progress on implementation and partnering relationships of the community.

A formal evaluation of EZ/EC was done by Iowa State University in 1998. Iowa State University is currently developing a methodology for a mid-term evaluation of the progress of Round I rural EZ/ECs. The FY 2000 budget request includes funding to support the conduct of this evaluation. Additional funding is proposed in FY 2001.

**Management Initiative 2:** Design and Implement new and innovative internal initiatives which strengthen Rural Development's ability to help rural residents and communities.

**Key Performance Goal**

<u>Enhance and build information systems which support the mission area's programs</u>	
Implement an operational New Guaranteed Loan System (GLS)	
<b>Target:</b>	Complete Phase I
<b>Actual:</b>	Phase I completed
Replace the obsolete Wang System	
<b>Target:</b>	Complete
<b>Actual:</b>	Completed
Recognize the Year 2000 in automated systems	
<b>Target:</b>	Testing and Acceptance
<b>Actual:</b>	Completed
Develop Programs Funding Control System	
<b>Target:</b>	Review NFC & other USDA systems
<b>Actual:</b>	Review completed plus a cost analysis performed
Operationalize the Community Utilities & Business System	
<b>Target:</b>	60% operational
<b>Actual:</b>	40% operational

**1999 Data:** The data is drawn from the Request for Automation Tracking System (RFAT) and the project files of the mission area's Chief Information Officer and the program managers of the various system initiatives. While it is not auditable, it is considered by management to be reliable.

**Analysis of Results:** Rural Development was successful during FY 1999 in achieving its goal of enhancing and building information systems to support the mission area's programs. Phase I of the Guaranteed Loan System was completed in FY 1999. This phase provides for the conversion of data from the old system to the new one, on-line procedures, batch data procedures, and periodic status reporting. This system supports the farm credit program of the Farm Service Agency in addition to the three Rural Development agencies. In FY 1999 a web-based application to provide fund administration and borrower application processing was also implemented for guaranteed Rural Housing Service loans.

In addition, the obsolete Wang hardware was eliminated for the Rural Utilities Accounting System and its applications were incorporated into other systems. All mission area systems were tested for Y2K compliance and found to be compliant. The target for the Program Loan Funds Control System was exceeded as a cost analyses was performed in addition to the review of other systems. The target for the electric and telephone program portions of the CUBS system was met with the operationalizing of the Staff Review and Reporting System and Audit Review and Tracking System. The remaining 20 percent of the CUBS target was not met due to significantly more business process reengineering efforts needed to define requirements for the electric and telephone loan making and servicing portions of CUBS than was originally anticipated. (Implementations of CUBS for direct Water and Waste, Community Facility, and Business and Industry direct loan programs is dependent on receiving additional funding. Subject to receiving funds, phased implementation of these programs will begin after FY 2001.)

**Current Fiscal Year Performance:** The indicators related to replacing the WANG System and Y2K compliance will be removed from the FY 2000 and 2001 Plan as these activities are completed. Rural Development will continue with phased implementation of GLS and CUBS. With Y2K testing complete, Rural Development hopes to devote more resources to implementing new systems needed to support the programs.

**Program Evaluations:** An audit of Rural Development’s Federal Information System Controls (85099-001-FM) has been issued in draft. All findings and recommendations are preliminary at this time and are not available for publication. When the audit is finalized, a copy can be obtained by contacting OIG at (202) 720-5242.

**Key Performance Goal**

<u>Manage the mission area’s financial resources efficiently and effectively</u>	
Send to Treasury debt eligible for administrative offset and cross-servicing.	
<b>Target:</b>	Implement
<b>Actual:</b>	Implemented
Implement EFT in compliance with DCIA-EFT requirements	
<b>Target:</b>	30%
<b>Actual:</b>	32%
Credit Reform - % of programs with clean opinion from OIG	
<b>Target:</b>	60%
<b>Actual:</b>	0%
Implement integrated financial management system	
<b>Target:</b>	Develop 25% of Business Requirements
<b>Actual:</b>	0%
Reach Management decision on OIG financial management audit recommendations within 6 months of audit report issuance.	
<b>Target:</b>	90%
<b>Actual:</b>	90%
Obtain clean and timely audit opinion on audited financial statements (Preliminary Data)	
<b>Target:</b>	Obtain clean opinion
<b>Actual:</b>	Qualified opinion

**1999 Data:** The data comes from the project files of the Chief Financial Officer. The percentage of EFT disbursements is based on the percentage of the number of EFT disbursements to the total number of all disbursements made during FY 1999. The final indicator, related to obtaining a clean opinion on the financial statement, is preliminary pending completion of the audit by OIG. It is assumed, however, that the opinion will again be qualified based on existing, unresolved credit reform concerns of the OIG.

**Analysis of Results:** Rural Development's success in achieving the goal is mixed. The mission area has completed the systems enhancements required to refer eligible debt to Treasury for administrative offset or cross-servicing and to disburse funds electronically (EFT). Both of these functions are required by the Debt Collection Improvement Act of 1996. Referring debt to Treasury and using EFT for disbursement are dependent on an adoption of the practice by the programs and revision of published policies. Many of the programs, such as new loans for single family housing, have adopted EFT for disbursement of their program funds. Other programs pending conversion to EFT include guaranteed loans and subsequent advances on single family housing construction loans. The established target for reaching a management decision within 6 months on 90 percent of the audits issued was also met. The performance indicator “% of FMFIA deficiencies corrected timely” was not included for FY 1999 but will be included for FY 2000.

Areas where the indicators were not met relate to implementing an integrated financial management system and obtaining an unqualified financial audit. USDA is phasing-in an integrated financial management system (Foundation Financial Information System) to be used Department-wide. The time frame for Rural Development’s implementation is FY 2000, subject to the availability of staff and financial resources.

Rural Development is one of a number of agencies struggling to develop more reliable credit reform models required to calculate subsidy rates. A task force consisting of several USDA agencies, the Departmental CFO, and OIG are developing improved cash flow models. The development of these improved cash flow models may lead to an unqualified audit opinion. One performance indicator included in the FY 1999 and 2000 Annual Performance Plan was discontinued. See Appendix A.

**Descriptions of Actions and Schedules:** Rural Development will continue to be an active member of the credit reform team and implement new models as they are approved by OMB, GAO and OIG.

Rural Development will implement the Foundation Financial Information System, based on the FY 2000 target date established by the Secretary, provided resources are available.

**Current Fiscal Year Performance:** Rural Development has completed one of three models required to calculate subsidy rates. However, formal approval has not been received from OMB, GAO and OIG. Approval is expected in FY 2000. Rural Development is working on the second model and hopes to obtain approval in FY 2000 as well. The Annual performance plan will now reflect a goal of 60 percent completion in FY 2000 and 100 percent completion in FY 2001.

**Program Evaluations:** An audit of Rural Development’s Fiscal Year 1998 Financial Statements (audit number 50401-028-FM) was completed. The reports finds a weakness in the ability to estimate and reestimate the loan subsidy cost, thereby lacking the ability to substantiate the value of the Government’s investment in it’s direct and guaranteed loans. They recommended that new models be created for the purpose of estimating subsidy. This report can be found at the OIG’s website at [www.usda.gov/oig](http://www.usda.gov/oig).

**Management Initiative 3:** Create and sustain a work environment that develops and fosters partnerships, cooperation, full and open communications, teamwork, mutual respect, and maximum individual development.

**Key Performance Goal**

Enhance human resource systems to ensure they are fair and equitable to all employees.	
Implementation of reengineered performance appraisal system	
<b>Target:</b>	Obtain Partnership Council approval and provide implementation training
<b>Actual:</b>	Partnership Council approval obtained and implementation training provided

Enhance human resource systems to ensure they are fair and equitable to all employees. (Continued)	
Implementation of new employee recognition and rewards system, policies and practices	
<b>Target:</b>	Obtain Partnership Council approval and provide implementation training
<b>Actual:</b>	Partnership Council approval obtained and implementation training provided
Implement annual civil rights training for all employees	
<b>Target:</b>	Implement
<b>Actual:</b>	Implemented

**1999 Data:** The results data comes from the files of the Assistant Administrator Human Resources and the Director of the Civil Rights Staff.

**Analysis of Results:** By obtaining Partnership Council approval and providing implementation training, two of the goals have been met. Training for the field staff was provided by video conferencing. Likewise, civil rights training was provided. This is an on-going initiative in support of the Secretary’s civil rights activities. The FY 1999 and 2000 Annual Performance Plan also included an indicator related to establishing a quarterly EEO/CR newsletter. This indicator has been discontinued. See Appendix A.

**Descriptions of Actions and Schedules:** Rural Development will strive to implement the newsletter in FY 2000.

**Current Fiscal Year Performance:** New performance indicators are being developed to address the mission area’s efforts to develop new policies related to work schedules and leave.

**Program Evaluations:** None conducted in FY 1999.

**Management Initiative 4:** Foster and continually strengthen an internal culture that focuses on and is driven by customer needs, both internally and externally, systematically acts to make internal process and individual actions responsive to the needs of customers; and assures that all customers and employees are treated fairly, equitably, and with dignity and respect.

**Key Performance Goal**

Reduce backlog of program and EEO complaints	
Reduction in program and EEO complaints backlog	
<b>Target:</b>	25%
<b>Actual:</b>	36% program and 75% EEO

**1999 Data:** This data is gathered from State Civil Rights Managers. All complaints are logged in when filed and logged out when the complaint is resolved. On October 1, 1998 Rural Development had a total of 153 formal EEO complaints. Resolution activity resulted in 112 formal complaints being closed through 36 settlement agreements, 2 compensatory damage actions, 66 findings of no discrimination and 10 dismissals.

**Analysis of Results:** Rural Development was able to reduce the backlog of EEO complaints by 75 percent. This far exceed the target of 25 percent and was in large part due to the efforts of the staff in Texas. Also, during FY 1999, Rural Development reduced the informal EEO complaint backlog by 86 percent. Rural Development experienced a 36 percent reduction in its program compliance backlog. State Civil Rights Coordinators and Managers reported that they spent 57,637 hours on civil rights activities which included conducting compliance review, reviewing Affirmative Fair Housing Marketing Plans, conducting civil rights impact analyses, and negotiating conciliation agreements.

**Current Fiscal Year Performance:** While Rural Development was able to exceed the goal for FY 1999, the target for FY 2000 will not be reduced significantly. Resolutions may be more difficult in FY 2000 as the State Directors have to concur in settlements as funds to pay settlement offers will come out of their budgets.

**Program Evaluations:** None conducted in FY 1999.

**Key Performance Goal**

<u>Obtain feedback from program customers</u>	
Obtain feedback from Program Customers for:	
Business and Industry	
<b>Target:</b>	NA
<b>Actual:</b>	NA
Cooperative Services	
<b>Target:</b>	Survey
<b>Actual:</b>	Completed
Single Family Housing	
<b>Target:</b>	Survey
<b>Actual:</b>	Completed
Water and Waste	
<b>Target:</b>	Survey
<b>Actual:</b>	Not Completed
Electric Program	
<b>Target:</b>	Survey
<b>Actual:</b>	Not Completed
Telecommunications	
<b>Target:</b>	Survey
<b>Actual:</b>	Not Completed

**1999 Data:** The data comes from the project files of the program staffs.

**Analysis of Results:** Only two programs completed a customer service in FY 1999. The single family housing survey was conducted by the Service Center Implementation Team and additional information on this survey is contained in the Service Center's Annual Performance Report. Results of the Cooperative Services' survey is included in the RBS Annual Performance Report. RUS's customer service surveying efforts were delayed due to a lack of available staff and higher priorities. RUS did survey their electric and telecommunication borrowers regarding their compliance with Y2K in support of the Administration's and the Congress' concerns about Y2K capability in the private sector. Neither RUS nor its customers had any significant problems.

**Descriptions of Actions and Schedules:** RUS is developing the survey document for its programs and determining what clearance is required from OMB with plans to survey in FY 2000.

**Current Fiscal Year Performance:** During FY 2000 the feedback gathered through the surveys will be used to identify changes that should be pursued to make the programs more customer friendly. Surveying will continue to be pursued for those programs which were unable to survey in FY 1999.

**Program Evaluations:** None were conducted in FY 1999. Although RUS conducted no formal program evaluations during FY 1999 due to staffing levels, RUS management is continually reviewing and evaluating program performance and operations and making changes as appropriate.

## RURAL DEVELOPMENT

## DISCONTINUED PERFORMANCE MEASURES

**Goal 2:** Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital and credit for quality housing and modern, essential community facilities.

**Objective 2.1:** Improve the quality of life for the residents of rural communities by providing access to decent, safe, affordable housing.

Improve the quality of life of residents of rural communities by providing access to credit for decent, safe, sanitary housing.

The following sub-indicators under the Number of houses financed through the Section 502 Direct Loan Program, the Number of houses financed through the Section 502 Guaranteed Loan Program, and the Number of existing houses improved with Section 504 Loans and Grants are discontinued:

(Units per \$1 Million)  
Average Loan Amt.

Percentage of homes financed through the Sec. 502 Direct Loan Program that are new  
Percentage of homes financed through the Sec. 502 Guaranteed Loan Program that are new

**Explanation :** The number of units per \$1 million and the average loan amount are discontinued as these were merely supporting data for establishing target performance for the number of houses financed through the Section 502 Direct and Guaranteed Loan Programs and the number of existing houses improved through Section 504 Loans and Grants. The percentage of homes financed through the Section 502 Direct and Guaranteed Loan Programs were merely supporting data for use in calculating the number of jobs created by these programs.

Improve the quality of life for the residents of rural communities by providing access to decent safe, sanitary, and affordable rental housing.

Total number of occupiable units.  
Sec. 515 and 514/516  
Sec. 538

The following sub-indicators under Number of new units built (FY) are discontinued:

Sec. 515 units/\$1 m  
Sec. 514/516 units/\$1 m  
Sec. 538 units/\$1 m

The following sub-indicators under Number of units rehabilitated (FY) are discontinued:

Sec. 515 units/\$1 m  
Sec. 514/516 units/\$1 m  
Sec. 533 units/\$1 m

**Explanation :** A measure for occupiable units is unnecessary because this performance goal is adequately covered by the remaining indicators, including the number of new units built and the number of units rehabilitated during the fiscal year. The number of units/\$1 million is discontinued as this was merely supporting data for establishing target performance for the total number of new units built and rehabilitated in each program.

**Objective 2.4:** Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Number of borrowers establishing relationships with local lenders.

**Explanation:** This goal for the single family housing program and was a measure of the Agency's success in graduating borrowers to other credit. Since the available data on the borrowers leaving the program cannot be segregated to identify only those borrowers who moved to other sources of credit but still maintained ownership of their house. The indicator will be dropped due to lack of adequate data.

**Objective 2.5:** Manage the loan portfolio in a manner that is efficient and effective.

Graduate eligible housing borrowers to other sources of credit:

Number of Section 502 Direct Loan Program borrowers who successfully move off the program.

**Explanation:** The available data on the borrowers leaving the program cannot be segregated to identify only those borrowers who moved to other sources of credit but still maintained ownership of their house. The indicator will be dropped due to lack of adequate data.

**Management Initiative 1:** Rural Development will provide information, technical assistance, and, when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.

Establish models for collaborative community development through the Delta Initiative, the Southwest Border Region Initiative, and other special initiatives.

**Explanation:** The focus of the initiatives has changed. The initiatives are seeking support from Congress to be established as separate entities, no longer under the direction of Rural Development. This performance indicator is being abolished as it is no longer relevant to the mission area.

**Management Initiative 2:** Rural Development will design and implement new and innovative internal initiatives which strengthen its ability to help rural residents and communities.

Provide reliable cost accounting information.

**Explanation:** Establishing cost accounting cannot be accomplished until the mission area adopts FFIS and establishes a plan for obtaining and integrating workload data needed for cost accounting. The performance indicator is being abolished until the needed systems are in place, planning completed, and a realistic performance indicator can be established.

**Management Initiative 3:** Create and sustain a work environment that develops and fosters partnerships, cooperation, full and open communications, teamwork, mutual respect, and maximum individual development.

Implement quarterly newsletter on current EEO/CR events.

**Explanation:** Due to reductions in staff, the development of a quarterly newsletter did not occur in FY 1999 and it does not appear that staff will be available in the foreseeable future. The indicator is being withdrawn until staff is available.